

## **Export Conditions Worsen, May Even Deteriorate in the Next Six Months: FICCI Export Survey**

**New Delhi, December 16, 2011:** Rising cost of raw material, a highly competitive business environment, weak international demand and high cost of credit are the main factors responsible for the woes of Indian exporters. According to **FICCI's latest Export Survey**, a majority (64%) of the exporters at the industry and firm level feel that the current and future export conditions will continue to take a toll on their order book position.

India's exports declined by 20% month-of-month while imports rose by 14.2% in October. On a YoY basis, exports rose by a mere 10.8% (significantly lower than the all time high of 82% in July'11), the lowest YoY growth rate since October 2009. This clearly indicates that the slowing down of the western economy has had an impact on India's export performance.

The survey reveals that exporters look forward to export promotion facilities and schemes from the government. Listed below are some issues that could give an impetus to the export industry.

- \* Introduce Customs Green Channel Facility to provide hassle free and expedition clearance by customs based on self declaration
  
- \* Interest rate for MSME sector is capped at 7%
  
- \* Better infrastructural facilities at the ports, specially Chennai, Tuticorin and Cochin
  
- \* Urgently finalize the FTA agreement with EU
  
- \* Loan interest subvention scheme to be continued post March 2012
  
- \* Government intervention in controlling the prices of raw material like cotton, coking coal, iron ore etc and design a long-term policy plan for cotton and make Indian textile end-product more competitive

\* Offer incentives to exporters to enable them to compete with China and SE Asia

\* Introduction of online refund system

**The following are the highlights of the FICCI Survey:**

**Background**

India's exports declined by 20% month-of-month while imports rose by 14.2% in October. On a YoY basis, exports rose by a mere 10.8% (significantly lower than the all time high of 82% in July'11), the lowest YoY growth rate since October 2009. This clearly indicates that the slowing down of the western economy has had an impact on India's export performance.

FICCI conducted the present export survey to understand the reasons for this decline and elicit suggestions from industry on what can be done to overcome the current concerns.

**Survey Profile**

For the purpose of this survey a short questionnaire was circulated among member associations of FICCI and amongst individual companies during the months of August and September 2011. The survey drew responses from across the country and from a wide array of sectors.

A significant no of respondents- 40% - of the responses were received from the Northern part of the country. Most of these respondents were from the states of UP and Delhi. A few responses were also received from Punjab and Haryana. About 36% of the participants were

from the Western part of the country, mainly Maharashtra. A few responses were received from Goa, Gujarat and Rajasthan.

Finally, about 15% and 8% of the responses were received from the Eastern and Southern regions respectively.

With regard to the sectoral spread, responses were received from a wide array of sectors such as textiles, mining, sugar, agriculture, engineering, automobile, chemical, cotton yarn, food, steel and apparel.

The turnover of the companies that participated in the survey ranged from less than Rs. 4 crores to Rs. 8,530 crores per annum. Most of the responses came from the engineering, textile and apparel industries.

## Survey Findings

### Current export conditions have worsened as compared to the last six months

An analysis of the survey results shows that at an industry level, **only 33% of the respondents feel that the situation has improved as compared to a whopping 64% at the same time in the prior year** (*refer to the figure below*).

At a firm level, the situation remains more or less the same with only 39% responding positively. This analysis leads one to believe that conditions have deteriorated in the last six months.

### ...leading to form even more negative expectations in the next six months

The current situation has forced the exporters to revise their expectations regarding export conditions in the next six months. Majority of the respondents feel that **situation is not going to change for the better** in the months to come and will, in fact, worsen.

### More respondents felt that export prices will decline in the next six months

When asked to comment on the expected change in price in the next six months, 37% of respondents felt that there will be a decline in future export prices as compared to the previous year, the highest since July'09 (*as shown in the figure below*)

**...coupled with a decline in the volume for exports**

Twenty two percent of respondents expect a decrease in the volume of exports in the next six months, the highest since July'09 (*as shown in the figure below*)

When asked about the order book position 38% of exporters reported a decline in the future (*refer to the figure below*).

**Factors affecting the export performance**

As part of the survey, the participating companies were also asked to indicate the factors that are adversely affecting their export performance. These are listed below:

- \* Exchange Rate
- \* Rising cost of raw material
- \* Weak demand in international market
- \* Increase in oil prices
- \* Competitive environment
- \* Cost of credit
- \* Government procedures
- \* Inadequate infrastructure
- \* Government promotional schemes
- \* Availability of credit
- \* Tariff/Non-tariff barriers
- \* Excess production capacity

As many as 80% of the respondents felt that **rising cost of raw material** was the primary factor for the adverse performance. This was followed closely by the competitive environment, weak demand in the international market and cost of credit.

### **Demands of Exporters**

A quick survey revealed that exporters look forward to export promotion facilities and schemes from the government. Listed below are some issues that could give an impetus to the export industry.

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